

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION - DIVISION OF ADMINISTRATIVE SERVICES
SEPTEMBER 22, 2021**

ITEM 17

SUBJECT

CONSIDERATION OF A PROPOSED RESOLUTION ADOPTING EMERGENCY REGULATIONS AMENDING DRINKING WATER FEE SCHEDULES IN TITLE 22, SECTION 64305 OF THE CALIFORNIA CODE OF REGULATIONS.

DISCUSSION

Health and Safety Code section 116565, subdivision (d) provides that the State Water Resources Control Board (State Water Board) "shall set the amount of total revenue collected each year through the fee schedule at an amount equal to the amount appropriated by the Legislature in the annual Budget Act from the Safe Drinking Water Account for expenditure for the administration of this chapter, taking into account the reserves in the Safe Drinking Water Account." On April 4, 2017 the State Water Board adopted drinking water fee regulations contained in title 22, division 4, chapter 14.5, sections 64300, 64305, 64310, and 64315 of the California Code of Regulations. Health and Safety Code section 116565, subdivision (e)(1) requires the State Water Board to adopt any subsequent adjustments to the fees for public water systems as emergency regulations in accordance with chapter 3.5 (commencing with section 11340) of part 1 of division 3 of title 2 of the Government Code.

Financial Condition of the Safe Drinking Water Account (SDWA)

As shown in Attachment 1, total budgetary expenditures for FY 21-22 are expected to increase 21.6 percent from approximately \$28.5 million in FY 20-21 to \$34.6 million in FY 21-22, primarily driven by the Local Primacy Return and Water Resilience and Drought Package budget change proposals (BCPs), a return to full staff salaries (removal of furlough salary savings), a pay letter, and pro rata. As a result of these costs, and after taking into consideration expected revenue, staff anticipates needing to increase fees by 26.6 percent for FY 21-22. A prudent fund reserve of 10 percent is typically targeted; however, to help mitigate the proposed fee increase, staff is proposing to target a 5 percent fund reserve in FY 21-22 before building it back up to 10 percent in the coming years.

PROPOSED CHANGES

To bring revenues in line with expenditures and maintain a prudent reserve, staff recommends adjusting the fees for wholesalers, nontransient noncommunity, transient noncommunity, and community water systems as shown in Attachment 2.

POLICY ISSUE

Should the State Water Board adopt the proposed amendments to the drinking water fee regulations?

FISCAL IMPACT

The FY 2021-22 Budget Act includes expenditure authority for the SDWA of approximately \$33.5 million. The proposed fee schedule changes will ensure the projected revenue for the SDWA, when added to the projected fund balance from FY 2020-21, meets the FY 2021-22 budget expenditures.

REGIONAL BOARD IMPACT

None.

STAFF RECOMMENDATION

Staff recommends that the State Water Board adopt the proposed resolution to amend the regulations as proposed by staff.